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Understanding the tax practitioner-client relationship: Using a role theory framework

Lin Mei Tan*

School of Accountancy, Massey University, Palmerston North, Private Bag 11222, New Zealand

Abstract

Adapting the Role Episode Model, this paper presents a conceptual framework by which the tax practitioner-client encounters can be understood and analysed. The framework is focused on the tax practitioner and the client and the role process consists of a set of demands made by taxpayers on their practitioners. Practitioners also have their own views of what demands they should try to meet, given their type of social position. The characteristics of taxpayers and of tax practitioners, their interpersonal relations, and features of decision context that may have an impact on their decision making are all taken into consideration.

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1. Introduction

More than three decades of research have provided a substantial body of information on people's taxpaying behavior. Nevertheless, the most common approach adopted by governments to deter people from noncompliance is to threaten sanctions. Researchers have argued that this approach may not always work as other factors such as taxpayers' attitudes and others' influence (such as tax advisers, family, and friends) may also have an impact on

* Corresponding author. Tel.: +6423569099; fax: +6423505617.

E-mail address: l.m.tan@massey.ac.nz

taxpaying behaviour (Braithwaite & Wenzel, 2008). Part of this more expansive view has been to consider the role of tax practitioners in taxpayers' compliance. To date, work on this aspect is comparatively limited.

Understanding the practitioner-taxpayer relationship grows in importance as an increasing number of taxpayers, who cannot cope with or understand the complexity of tax requirements, seek the assistance of a tax practitioner. Therefore, they can exert considerable influence on taxpayers in the tax compliance process by either helping them to enforce or exploit the tax law (Kaplan, Reckers, West & Boyd, 1988). The literature suggests that their clients' characteristics and preference for type of advice, and their own characteristics play a role in the type of advice they provide (Cruz, Shafer & Strawser, 2000; Tan, 2011). For instance, tax practitioners were found to provide aggressive (or conservative) advice to aggressive (or conservative) clients (LaRue & Reckers 1989). Such insights elicited from tax practitioners suggest that taxpayers are the instigators of aggressive tax advice. However, studies which elicit the views of taxpayers indicate that they prefer conservative advice (Hite & McGill, 1992). Preference for conservative advice appears to be consistent with the literature which indicates that one of the main reasons why taxpayers engage a tax practitioner is to file a correct tax return. In spite of this motive and preference for conservative advice, there are taxpayers who still accept whatever types of advice their practitioner recommends (Tan, 1999).

In addition to analysing taxpayer preferences for advice, researchers have investigated characteristics of practitioners and the environments in which they operate. The results, however, are inconclusive as to whether or not those affiliated with a professional body are more aggressive than those who are not (Ayres, Jackson & Hite, 1989), or whether client importance, probability of audit and severity of penalty influences practitioners' willingness to recommend aggressive tax positions (Hansen & White, 2012; Reckers, Sanders & Wyndelts, 1991).

The diversity of these findings implies that not only do the needs or expectations of taxpayers differ but also the types of advice given by practitioners differ. This means that aggressive tax advice can be both supply and demand driven. Sakurai and Braithwaite (2003) suggest that both parties can exert influence on each other and the tax position adopted by the taxpayer is likely to be determined to a considerable degree by the "team play" between the dyads.

The extant literature shows that the role of tax practitioners in tax compliance has been considered to a limited extent in comparison to other factors. The lack of a conceptual framework in many studies makes it difficult to draw generalisations about the working relationships between taxpayers and tax practitioners, and the influences each has on the other. Drawing on the social psychology literature, this paper introduces the theory of role dynamics posited by Kahn, Wolfe, Quinn and Snoek (1964). Their model is frequently referred to in studies of role conflict and has been used as a framework for studies in various domains including accounting (see Kleinman & Palmon, 2001). Bergsteiner (2012) pointed out that Kahn et al.'s model has also been influential in the development of other models/framework such as by Katz and Kahn (1978); van Sell et al. (1981), Frink and Klimoski (1998) and Kleinman and Palmon (2000). Based on this model, a preliminary role framework for tax practitioner and client is proposed to provide a better understanding of the roles played by tax practitioners and taxpayers.

2. Tax compliance literature and role framework

A significant amount of research contributed by a number of disciplines over at least three decades has provided evidence of multiple determinants of compliance. Psychologists and sociologists have aptly pointed out that the economic model does not fully capture all of the many factors that affect compliance behaviour; other social psychological factors are also important (Kastlunger et al., 2013). Braithwaite (2003, p.17) pointed out that, "any single act is shaped by multiple factors, and any small change in context can be a factor that changes specific behaviour." Human behaviour and relationships are indeed complex and there are ample avenues for further research to provide a better understanding of compliance behaviour particularly of those who engaged the services of a tax practitioner.

As a first step to capturing the dynamic interdependence of taxpayers and tax practitioners, this paper presents a tax practitioner-client role model by which the tax practitioner-client relationship can be understood and analysed. It is grounded in role theory and relies on a social psychological model to provide a theoretical framework for analysing the expectations, perceptions, attitudes, and behaviour of the two parties: the tax practitioner and the client. Role theory, according to Turner (2001, p.233), "deals with the organization of social behaviour at both the individual and the collective levels" and is "a key element in understanding the relationships among the micro-, macro-, and intermediate levels of society." Roles can be viewed as having a corresponding set of expectations and obligations, and they define the appropriate behaviours for a person to perform in the role. Based primarily on the

concept of role as behaviour and role as expectations, and recognising the effects of interaction between individuals, Kahn et al. (1964) developed a dynamic, contextual framework for understanding the relationships between role expectations and role behaviours within an organisational setting. Their Role Episode Model (REM) is used to examine role ambiguity, role conflict, and stress. As described by Kahn et al. (1964), the role set consists of different people (termed role senders) with whom the focal person has contact. Role senders have a stake in the focal person's performance as they can benefit or be disadvantaged by it. They may also be dependent on the focal person's performance as they may require it to perform their own tasks. Accordingly, they develop beliefs and attitudes about what the focal person should or should not do. The prescriptions and proscriptions held by members of a role set are termed role expectations and they represent the standards for evaluating the performance of the focal person (Kahn et al., 1964). The numerous acts which make up the process of role sending are not merely informational, but are also attempts by senders to influence the focal person to conform to their expectations.

As shown in Figure 1, each of the four boxes represents an event that forms a role episode. The expectations/pressures described above are being sent to the focal person and affects the immediate experience of the focal person. This experience typically has both perceptual and cognitive aspects and the focal person's reactions are determined by the nature of his/her experience. Focal persons are also self-senders as they too have a conception of their work and a set of attitudes and beliefs about what they should and should not do while in that position. They have some awareness of what behaviours will fulfil their responsibilities and lead to the accomplishments of their work. Through a long process of socialisation and formal training, they have acquired a set of values and expectations about their own behaviour and abilities. The focal person is thus conceived of as "having an occupational self-identity and is motivated to behave in ways which affirm and enhance the valued attributes of that identity" (Kahn et al. 1964, p.17).

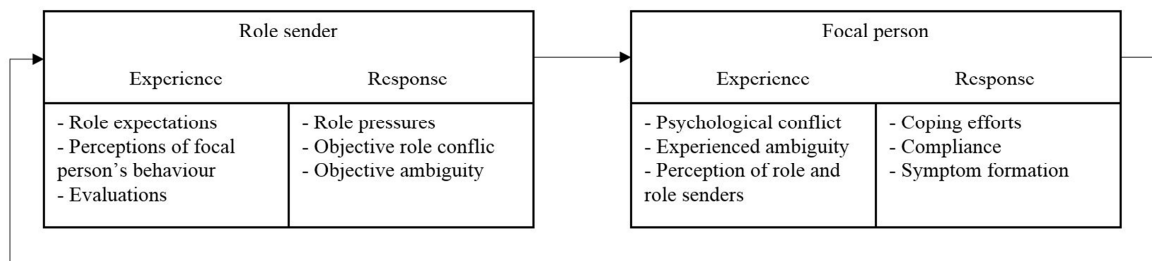


Fig. 1: Role Episode Model (Kahn et al. 1964, p.26)

When role pressures are seen as illegitimate or coercive, the focal person may resist the demands of the role sender giving rise to role conflict. Focal persons may respond to role conflict in several ways. For instance, when they find that they cannot realistically conform to an expectation, they may persuade the role senders to modify the incompatible demands (Kahn et al., 1964, p.29). Alternatively, they may reject or avoid those role senders whose demands they find they cannot meet. The feedback communicated to role senders may or may not lead to immediate modifications in the demands that role senders make of them. Role conflict, as indicated in the literature on organisational behaviour and theory, cannot be taken too lightly in an organisation as it can lead to disastrous consequences such as work stress or termination of service (Kahn et al., 1964). In an organisation, role ambiguity may also arise when there is a discrepancy between the information available to focal persons and that which is required for adequate performance of the focal persons' role.

In Kahn et al.'s model, the role episode is abstracted from a process which is cyclical and ongoing: the focal person provides feedback to the sender, in a way that either alters or reinforces the demands made of him/her. The next role sending will depend on the sender's evaluation of the response to his/her last feedback and thus a new episode begins. As indicated by Kahn et al. (1964), the whole process does not occur in isolation; expectations or behaviours are shaped by additional or contextual factors such as organisational characteristics, personality, and

the interpersonal relations between the role senders and the focal person. Although Bergsteiner (2012) pointed out some flaws in the model particularly the causal relationships and direction of influence depicted in the model, he acknowledged the REM as an important model because it significantly influenced the development of several other models. As the tax practitioner and the taxpayer (the client) are two independent parties (dyads) in a role set, the REM which focuses on mutual influencing behavior, can be adapted to provide a suitable theoretical framework for understanding the role of tax practitioners and their relationship with clients in a tax setting.

In the context of the provision of tax services, the role set is focused on the tax practitioner who is presented as the focal person and the taxpayer (client) who is presented as the role sender. It is based on their perceptions of each other and indicates that each one's decisions or actions can be influenced by his/her characteristics, and environmental and interpersonal relationship factors. The development of the Tax Practitioner Client Role framework involves two stages (see Figure 2). First, the application of the role concept to how taxpayers and their practitioners interact needs to be articulated. Once the notion of a taxpayer-tax practitioner episode is accepted, the question arises of patterning of role performance and responsiveness across episodes. For taxpayers, there are repeated exposures to their tax practitioner. For tax practitioners, patterning in the roles they adopt comes about through repeated exposures to different clients.

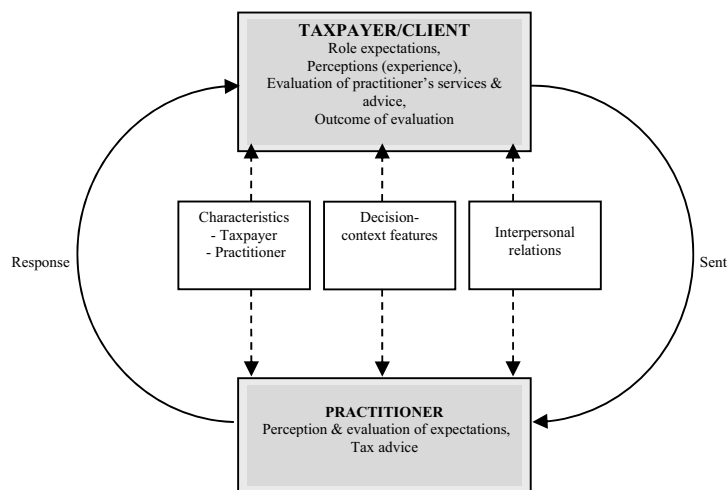


Fig. 2: Tax Practitioner-Client Role Framework in a tax setting and factors affecting their role

The first stage in adapting Kahn et al.'s work is to consider what a snapshot of each encounter (or episode) that takes place between the practitioner and the client might look like. Each encounter involves a sequence of activities that takes place as follows: expectations (or activities that s/he requires the practitioner to perform) are sent from the client to the practitioner; these are perceived and evaluated by the practitioner in relation to the expectations of the client, which then leads to responses by the practitioner. The client observes and evaluates the practitioner's response in relation to his/her expectations and needs, and reacts to the practitioner's response. Taxpayers who find that practitioners are not conforming to their expectations may accept the practitioner's response or may put pressure on him/her to conform. The whole process of sending and responding is cyclical and ongoing and the number of encounters depends on the number and complexity of the tax issues involved - the more complex the issue, the more likely the number of encounters will increase. Over time, taxpayers and practitioners settle into their preferred modes of engagement. While some elements will be peculiar to a particular interaction between a taxpayer and his/her practitioner, other elements of the role will generalise across encounters. Taxpayers become aware of their own expectations and can articulate how they perceive their practitioner. A number of outcomes of role messages sent and received, and of roles performed are important in this analysis. An outcome from a client's evaluation of a practitioner's services is satisfaction or dissatisfaction

with the fulfilment of role expectations. Another is the willingness of the client to either retain or terminate the practitioner's services in the future and to accept or reject advice.

Among the most important outcomes for practitioners are role conflict, role ambiguity, and advice given. Practitioners may encounter problems with their roles, especially when they are subject to incompatible role expectations (role conflict) where, for instance, they are required to provide advice in accordance with their clients' conflicting demands. A good example is where clients expect their practitioners to help them file a safe tax return as well as to help them exploit tax loopholes. Some client's demand of their practitioners can also be inconsistent with the practitioners' ethics or moral values. These types of demands place the practitioners in an awkward situation; they want to establish good relations with clients so as to maintain the client base but the goals and values of their clients do not match their professional integrity.

In the Tax Practitioner-Client Role Model it is recognised that the two parties' expectations and behaviours are dynamic. They are a function of the interaction of different characteristics, different motives, and values, different sensitivities and fears, different habits and the like (Kahn et al. 1964). As practitioner and client interact over time, mutual learning and understanding takes place, which can help ease the initial conflicts they have. As these conflicts give way to increased mutual understanding, the outcomes of their interactions tend to be influenced by other factors such as the decision maker characteristics and behavioural norms (Kleinman & Palmon, 2000). This framework is in accord with the tax literature which indicates that the characteristics of the client and tax practitioner, their interpersonal relations and extrinsic or situational factors or what Milliron (1988) categorised as decision context features, influence tax decisions. Personal characteristics and interpersonal relations essentially reflect psychological and social development, whereas decision context features arise outside the dyads in the taxpaying environment.

3. Conclusion

Although the extant literature on tax practitioners provided some insights into the reasons for engaging tax practitioners, and the factors affecting the type of advice provided, most of the research has proceeded without an explicit theoretical framework to support the chosen variables. Additionally, many researchers have not considered either the views of both parties, (that is, the practitioners as well as the taxpayers) or their working relationships. The most common concession to recognising the views of the other party has been through reviewing past research and arriving at a generalised statement about the position of the other. These shortcomings made it difficult to integrate and synthesise empirical research findings to generate a better understanding of the roles and relationships of the practitioners and clients in tax compliance. Adapting Kahn et al.'s model, this paper presents a conceptual framework by which the tax practitioner-client encounters can be understood and analysed. The Tax Practitioner-Client Role Model provides a useful framework for explicating how taxpayers and tax practitioners are likely to affect each other's tax decisions. Future research could be carried out to empirically test various constructs that have the potential to influence the practitioner-client interactions or decisions.

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